



General Assembly

February Session, 2006

Raised Bill No. 5491

LCO No. 2017

02017____PRI

Referred to Committee on Program Review and Investigations

Introduced by:
(PRI)

***AN ACT IMPLEMENTING THE RECOMMENDATIONS OF THE
LEGISLATIVE PROGRAM REVIEW AND INVESTIGATIONS
COMMITTEE RELATING TO CONNECTICUT'S TAX SYSTEM.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (c) of section 2-79a of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2006*):

4 (c) (1) On or before the second Wednesday after the convening of
5 the 1998 regular session of the General Assembly, and every four years
6 thereafter, the commission shall submit to the General Assembly a
7 report [which] that lists each existing state mandate, as defined in
8 subsection (a) of section 2-32b, as amended, and [which (1)] that (A)
9 categorizes each mandate as constitutional, statutory or executive, [(2)]
10 (B) provides the date of original enactment or issuance along with a
11 brief description of the history of the mandate, and [(3)] (C) analyzes
12 the costs incurred by local governments in implementing the mandate.

13 (2) On or after the second Wednesday after the convening of the
14 2007 regular session of the General Assembly, on or after the second

15 Wednesday after the convening of the 2010 regular session of the
16 General Assembly, and every four years thereafter, the commission
17 shall submit to the General Assembly a report that (A) identifies and
18 describes each unfunded or partially funded state mandate, as defined
19 in subsection (a) of section 2-32b, as amended, (B) quantifies the actual
20 cost to local governments of such mandates, and (C) analyzes the effect
21 of eliminating or reducing such mandates.

22 (3) In each report required by this subsection, the commission may
23 also make recommendations on state mandates for consideration by
24 the commission. [On and after October 1, 1996, the report] The reports
25 shall be submitted to the joint standing committee of the General
26 Assembly having cognizance of matters relating to appropriations and
27 budgets of state agencies, to any other joint standing committee of the
28 General Assembly having cognizance and, upon request, to any
29 member of the General Assembly. A summary of the report shall be
30 submitted to each member of the General Assembly if the summary is
31 two pages or less and a notification of the report shall be submitted to
32 each member if the summary is more than two pages. Submission shall
33 be by mailing the report, summary or notification to the legislative
34 address of each member of the committees or the General Assembly, as
35 applicable. The provisions of this subsection shall not be construed to
36 prevent the commission from making more frequent recommendations
37 on state mandates.

38 Sec. 2. Subsection (a) of section 12-2 of the general statutes is
39 repealed and the following is substituted in lieu thereof (*Effective*
40 *October 1, 2006*):

41 (a) (1) The Governor shall, in the manner and for the term provided
42 by sections 4-5 to 4-8, inclusive, appoint a Commissioner of Revenue
43 Services and the Governor shall fill any vacancy occurring during such
44 term as provided by said sections. The commissioner shall, before
45 entering upon the duties of his office, take the oath by law provided
46 for executive and judicial officers and, in the performance of his duties,

47 he shall have power to administer oaths.

48 (2) The commissioner may prescribe regulations, to be adopted in
49 accordance with chapter 54, and make rulings, not inconsistent with
50 law, to carry into effect the provisions of this title, which regulations or
51 rulings, when reasonably designed to carry out the intents and
52 purposes of this title, shall be prima facie evidence of its proper
53 interpretation. Each regulation shall be assigned a section number
54 corresponding to the section of the general statutes (A) pursuant to
55 which such regulation is authorized or required, or (B) with respect to
56 which such regulation pertains for purposes of implementation,
57 procedural details or supplementary interpretation, provided
58 whenever such section number corresponds to a section which does
59 not include the authorization or requirement for such regulation, a
60 reference to the section providing such authorization or requirement
61 shall be included in the text of the regulation.

62 (3) The commissioner shall publish for distribution all regulations
63 prescribed hereunder and such rulings as appear in the discretion of
64 the commissioner to be of general interest.

65 (4) (A) On and after July 1, 2007, the commissioner shall periodically
66 estimate the state tax gap, and shall develop an overall strategy to
67 promote compliance and discourage tax avoidance. For purposes of
68 this subdivision, "tax gap" means the difference between taxes owed
69 under full compliance with all state tax laws, and state taxes
70 voluntarily paid, where such difference may be due to failure to file
71 taxes, underreporting of liability, or not paying all taxes owing.

72 (B) The commissioner shall, annually conduct a cost benefit analysis
73 of each major compliance initiative undertaken by the department,
74 including amnesty programs.

75 (C) The commissioner shall, annually, after consultation with the
76 Secretary of the Office of Policy and Management, report information
77 on total local property tax collections for the most current five-year

78 period available.

79 (D) The commissioner shall submit a report annually, in accordance
80 with section 11-4a, to the joint standing committees of the General
81 Assembly having cognizance of matters relating to appropriations and
82 finance, revenue and bonding. Such report shall include tax gap
83 information, cost benefit analyses on major compliance initiatives, and
84 information on local property tax collections.

85 (5) On or before July 1, 2007, and annually thereafter, the
86 commissioner shall develop, update and publish a strategic plan that
87 shall include the department's mission, measurable goals that define
88 how the mission is to be accomplished, specific strategies to achieve
89 the goals and a timetable to measure progress toward achieving the
90 goals.

91 ~~[(4)]~~ (6) The commissioner may require any person who is or
92 appears to be affected by the provisions of any tax law of this state to
93 furnish to the Department of Revenue Services the Social Security
94 account number or numbers issued to such person by the Secretary of
95 Health and Human Services, or the employer identification number or
96 numbers issued to such person by the Secretary of the Treasury, or
97 both numbers.

98 ~~[(5)]~~ (7) No interest, penalty or addition to tax shall be imposed on
99 any tax or installment of estimated tax required to be paid to the
100 Department of Revenue Services with respect to any tax or installment
101 of estimated tax not paid when required to the extent that the
102 Commissioner of Revenue Services determines that, by reason of
103 casualty or disaster, the imposition of such interest, penalty or addition
104 to tax would be against equity and good conscience. The provisions of
105 this subdivision shall not be construed as authorizing suit against the
106 state where the Commissioner of Revenue Services does not determine
107 that the imposition of interest, penalty or addition to tax would be
108 against equity and good conscience and shall not be construed as a
109 waiver of sovereign immunity.

110 Sec. 3. (*Effective July 1, 2006*) The Commissioner of Revenue Services
 111 shall study the impact of amending the general statutes to require that
 112 any person or entity doing business with the state must be in
 113 compliance with all tax laws. The study shall (1) assess the methods
 114 available to the Department of Revenue Services to provide
 115 verification of tax compliance to state agencies before an agency issues
 116 a contract or grant, (2) review legal issues that may arise, including
 117 those arising out of statutory definitions of compliance and
 118 confidentiality, (3) consider the possibility of delays in the awarding of
 119 contracts, and the impact of such delays, and (4) provide an estimate of
 120 the resources necessary for implementation of such requirement. The
 121 commissioner shall submit the study, in accordance with section 11-4a
 122 of the general statutes, on or before January 1, 2007, to the joint
 123 standing committees of the General Assembly having cognizance of
 124 matters relating to finance, revenue and bonding and government
 125 administration.

126 Sec. 4. Section 12-7 of the general statutes is repealed and the
 127 following is substituted in lieu thereof (*Effective October 1, 2006*):

128 The Secretary of the Office of Policy and Management shall, in
 129 addition to any other reports required by law to be made by [him] the
 130 secretary, annually collate and prepare, from the reports provided for
 131 in section 12-9 and such other information as [he] the secretary obtains,
 132 statistics concerning the assessment and collection of taxes during the
 133 preceding year; and [he] the secretary shall, annually, cause to be
 134 printed so much of the report herein provided for as will show (1) the
 135 methods and manner of the assessment and collection of taxes, [and]
 136 (2) the amount of such taxes levied and collected in the several towns,
 137 cities and boroughs, [He] (3) information on trends in local property
 138 values and taxes, such as the average and median single-family
 139 residence tax bills and the per cent change in such amounts over time,
 140 (4) town-by-town information on the availability and use of local
 141 option property tax exemptions, and (5) measures that indicate the

142 accuracy and uniformity of local revaluations, as performed according
143 to the regulations adopted pursuant to section 12-62i. The secretary
144 may also publish such other reports as will give information to the
145 public regarding taxation.

146 Sec. 5. Section 12-9 of the general statutes is repealed and the
147 following is substituted in lieu thereof (*Effective July 1, 2006*):

148 The Secretary of the Office of Policy and Management shall
149 annually cause to be prepared by the tax collector complete statements
150 relating to the mill rate and tax levy during the preceding year, [such
151 statements to] information on average and median single-family
152 residence tax bills, information on the availability and use of local
153 option property tax exemptions, and such information on local
154 revaluations as the secretary may require for purposes of the report
155 required pursuant to section 12-7, as amended by this act. Such
156 statements shall be made upon printed blanks to be prepared and
157 furnished by the secretary to all such [officers] collectors at least thirty
158 days before the date prescribed by the secretary for the filing of such
159 statements. Any person who neglects to file a true and correct report in
160 the office of the secretary at the time and in the form required by [him]
161 said secretary or which, in making and filing such report, includes
162 therein any wilful misstatement, shall forfeit one hundred dollars to
163 the state, provided the secretary may waive such forfeiture in
164 accordance with procedures and standards adopted by regulation in
165 accordance with chapter 54.

166 Sec. 6. Subsection (a) of section 12-35 of the general statutes is
167 repealed and the following is substituted in lieu thereof (*Effective*
168 *October 1, 2006, and applicable to taxes due on or after said date*):

169 (a) Wherever used in this chapter, unless otherwise provided, "state
170 collection agency" includes the Treasurer, the Commissioner of
171 Revenue Services and any other state official, board or commission
172 authorized by law to collect taxes payable to the state and any duly

173 appointed deputy of any such official, board or commission; "tax"
174 includes not only the principal of any tax but also all interest, penalties,
175 fees and other charges added thereto by law; and "serving officer"
176 includes any state marshal, constable or employee of such state
177 collection agency designated for such purpose by a state collection
178 agency and any person so designated by the Labor Commissioner.
179 Upon the failure of any person to pay any tax, except any tax under
180 chapter 216, due the state within thirty days from its due date, the state
181 collection agency charged by law with its collection shall add thereto
182 such penalty or interest or both as are prescribed by law, provided, if
183 any statutory penalty is not specified, there may be added a penalty in
184 the amount of ten per cent of the whole or such part of the principal of
185 the tax as is unpaid or fifty dollars, whichever amount is greater, and
186 provided, if any statutory interest is not specified, there shall be added
187 interest at [the rate of one per cent of] a rate equal to the federal short-
188 term rate determined under Section 6621(b) of the Internal Revenue
189 Code of 1986, or any subsequent corresponding internal revenue code
190 of the United States, as from time to time amended, plus three
191 percentage points on the whole or such part of the principal of the tax
192 as is unpaid [for each month or fraction thereof,] from the due date of
193 such tax to the date of payment. Upon the failure of any person to pay
194 any tax, except any tax under chapter 216, due within thirty days of its
195 due date, the state collection agency charged by law with the collection
196 of such tax may make out and sign a warrant directed to any serving
197 officer for distraint upon any property of such person found within the
198 state, whether real or personal. An itemized bill shall be attached
199 thereto, certified by the state collection agency issuing such warrant as
200 a true statement of the amount due from such person. Such warrant
201 shall have the same force and effect as an execution issued pursuant to
202 chapter 906. Such warrant may be levied on any real property or
203 tangible or intangible personal property of such person, and sale made
204 pursuant to such warrant in the same manner and with the same force
205 and effect as a levy of sale pursuant to an execution. In addition
206 thereto, if such warrant has been issued by the Commissioner of

207 Revenue Services, his deputy, the Labor Commissioner, the executive
 208 director of the Employment Security Division or any person in the
 209 Employment Security Division in a position equivalent to or higher
 210 than the position presently held by a revenue examiner four, said
 211 serving officer shall be authorized to place a keeper in any place of
 212 business and it shall be such keeper's duty to secure the income of such
 213 business for the state and, when it is in the best interest of the state, to
 214 force cessation of such business operation. In addition, the Attorney
 215 General may collect any such tax by civil action. Each serving officer so
 216 receiving a warrant shall make a return with respect to such warrant to
 217 the appropriate collection agency within a period of ten days following
 218 receipt of such warrant. Each serving officer shall collect from such
 219 person, in addition to the amount shown on such warrant, his fees and
 220 charges, which shall be twice those authorized by statute for serving
 221 officers, provided the minimum charge shall be five dollars and money
 222 collected pursuant to such warrant shall be first applied to the amount
 223 of any fees and charges of the serving officer. In the case of an
 224 employee of the state acting as a serving officer the fees and charges
 225 collected by such employee shall inure to the benefit of the state. For
 226 the purposes of this section, "keeper" means a person who has been
 227 given authority by an officer authorized to serve a tax warrant to act in
 228 the state's interest to secure the income of a business for the state and,
 229 when it is in the best interest of the state, to force the cessation of such
 230 business's operation, upon the failure of such business to pay taxes
 231 owed to the state.

232 Sec. 7. Section 12-235 of the general statutes is repealed and the
 233 following is substituted in lieu thereof (*Effective October 1, 2006, and*
 234 *applicable to taxes due and payable on or after said date*):

235 To any taxes which are assessed under section 12-233, as amended,
 236 there shall be added interest [at the rate of one per cent per month or
 237 fraction thereof] at a rate equal to the federal short-term rate
 238 determined under Section 6621(b) of the Internal Revenue Code, plus
 239 three percentage points from the date when the original tax became

240 due and payable. The amount of any tax, penalty or interest due and
 241 unpaid under the provisions of this part may be collected under the
 242 provisions of section 12-35, as amended by this act. The warrant
 243 therein provided for shall be signed by the commissioner or his
 244 authorized agent. The amount of any such tax, penalty and interest
 245 shall be a lien, from the last day of the income year until discharged by
 246 payment, against all real estate of the company within the state, and a
 247 certificate of such lien signed by the commissioner may be filed for
 248 record in the office of the clerk of any town in which such real estate is
 249 situated, provided no such lien shall be effective as against any bona
 250 fide purchaser or qualified encumbrancer of any interest in any such
 251 property. When any tax with respect to which a lien has been recorded
 252 under the provisions of this section has been satisfied, the
 253 commissioner, upon request of any interested party, shall issue a
 254 certificate discharging such lien, which certificate shall be recorded in
 255 the same office in which the lien was recorded. Any action for the
 256 foreclosure of such lien shall be brought by the Attorney General in the
 257 name of the state in the superior court for the judicial district in which
 258 the property subject to such lien is situated, or, if such property is
 259 located in two or more judicial districts, in the superior court for any
 260 one such judicial district, and the court may limit the time for
 261 redemption or order the sale of such property or pass such other or
 262 further decree as it judges equitable.

263 Sec. 8. Subsection (b) of section 12-415 of the general statutes is
 264 repealed and the following is substituted in lieu thereof (*Effective*
 265 *October 1, 2006, and applicable to taxes due and payable on or after said*
 266 *date*):

267 (b) The amount of the assessment, exclusive of penalties, shall bear
 268 interest at [the rate of one per cent per month or fraction thereof] a rate
 269 equal to the federal short-term rate determined under Section 6621(b)
 270 of the Internal Revenue Code of 1986, or any subsequent
 271 corresponding internal revenue code of the United States, as from time
 272 to time amended, plus three percentage points. The interest shall be

273 computed from the last day of the month succeeding the period for
274 which the amount or any portion thereof should have been returned
275 until the date of payment.

276 Sec. 9. Subsection (a) of section 12-728 of the 2006 supplement to the
277 general statutes is repealed and the following is substituted in lieu
278 thereof (*Effective October 1, 2006, and applicable to taxes due and payable on*
279 *or after said date*):

280 (a) (1) After a final return pursuant to the provisions of this chapter
281 is filed, the commissioner shall cause the same to be examined and
282 may make such further audit or investigation or reaudit as the
283 commissioner deems necessary, and if the commissioner determines
284 that there is a deficiency with respect to the payment of any tax due
285 under this chapter, the commissioner shall assess or reassess the
286 additional taxes, penalties and interest due to this state, give notice of
287 such assessment or reassessment to the taxpayer and make demand
288 upon the taxpayer for payment. Not later than sixty days after the
289 mailing of such notice, the taxpayer shall pay to the commissioner, in
290 cash or by check, draft or money order drawn to the order of the
291 commissioner, the amount of the deficiency. Such amount shall bear
292 interest at [the rate of one per cent per month or fraction thereof] a rate
293 equal to the federal short-term rate determined under Section 6621(b)
294 of the Internal Revenue Code, plus three percentage points from the
295 date when the original tax became due and payable.

296 (2) When it appears that any part of the deficiency for which a
297 deficiency assessment is made is due to negligence or intentional
298 disregard of the provisions of this chapter or regulations adopted
299 thereunder, there shall be imposed a penalty equal to ten per cent of
300 the amount of such deficiency assessment. When it appears that any
301 part of the deficiency for which a deficiency assessment is made is due
302 to fraud or intent to evade the provisions of this chapter or regulations
303 adopted thereunder, there shall be imposed a penalty equal to
304 twenty-five per cent of the amount of such deficiency assessment. For

audits of returns commencing on or after January 1, 2006, when it appears that any part of the deficiency for which a deficiency assessment is made is due to failure to disclose a listed transaction, as defined in Section 6707A of the Internal Revenue Code, [of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended,] on the taxpayer's federal tax return, there shall be imposed a penalty equal to seventy-five per cent of the amount of such deficiency assessment.

(3) No taxpayer shall be subject to more than one penalty under this section in relation to the same tax period.

(4) Any decision rendered by any federal court holding that a taxpayer has filed a fraudulent return with the Director of Internal Revenue shall subject the taxpayer to the twenty-five per cent penalty imposed by this subsection without the necessity of further proof thereof, except when it can be shown that the return to the state so differed from the return to the federal government as to afford a reasonable presumption that the attempt to defraud did not extend to the state.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2006</i>	2-79a(c)
Sec. 2	<i>October 1, 2006</i>	12-2(a)
Sec. 3	<i>July 1, 2006</i>	New section
Sec. 4	<i>October 1, 2006</i>	12-7
Sec. 5	<i>July 1, 2006</i>	12-9
Sec. 6	<i>October 1, 2006, and applicable to taxes due on or after said date</i>	12-35(a)
Sec. 7	<i>October 1, 2006, and applicable to taxes due and payable on or after said date</i>	12-235

Sec. 8	<i>October 1, 2006, and applicable to taxes due and payable on or after said date</i>	12-415(b)
Sec. 9	<i>October 1, 2006, and applicable to taxes due and payable on or after said date</i>	12-728(a)

Statement of Purpose:

To implement the recommendations of the Legislative Program Review and Investigations Committee relating to Connecticut's tax system.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]